

Message Text

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ACTION EB-07

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 10952

EXCON

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TAGS: ESTC, COCOM, UK, UR

SUBJECT: SERPUKHOV SAFEGUARDS BILATERAL

REF: A. STATE 84630

B. COCOM DOC. (71) 954

SUMMARY: USDEL AND FINKLER MET APRIL 29 WITH UK TEAM TO DISCUSS SERPUKHOV SAFEGUARDS. UK NOTED SIMILARITY TO KAMA AND AEROFLOT SAFEGUARDS AND ASKED FOR CLARIFICATIONS ON ACCESS REQUIREMENTS, SHORTENING OR RETRENCHMENT OF SPARES INVENTORY ON SITE, OPEN-ENDED NATURE OF VISITATION REQUIREMENT, AND POSSIBLY REVISED SAFEGUARDS IF SERPUKHOV COMPUTER WERE TO BE TRANSFERRED (WITH COMMITTEE AGREEMENT, OF COURSE) TO ANOTHER USER IF INSTITUTE WERE TO OBTAIN HIGHER CAPACITY SYSTEM. UK TEAM ALSO INQUIRED WHETHER US MIGHT CONSIDER PROVISION OF 3330-TYPE MEMORIES TO ENHANCE PRESENT CONFIGURATION. US REPLIED AS DETAILED BELOW. AFTER CONSIDERATION OF THOSE REPLIES UK WILL BE IN TOUCH WITH USG LATER. ACTION REQUESTED: DECISION ON SUGGESTED CHANGES TO DRAFTS (PARA 3) AND CONFIRMATION OF CHANGED TEXT, IF ANY, TO UK AUTHORITIES. END SUMMARY.

1. USDEL AND FINKLER MET ON APRIL 29 WITH UK

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TEAM TO DISCUSS US PROPOSAL FOR REVISION OF SERPUKHOV

SAFEGUARDS AGREEMENT AND ANNEX. BRITISH SPOKESMAN WAS MCCULLOCH OF MOD/DIS, AND TEAM INCLUDED ABBOTTS (MOD), STUTTARD (DIS), ALEXANDER (FCO), ILES (DEPARTMENT OF INDUSTRY-DI), FRANK MULLEN (DI) AND M. BRADNICK OF ICL. MULLEN IS STANDING IN FOR USUAL DI ELECTRONICS/COMPUTER EXPERT DENNIS JUDD, WHO WAS HOSPITALIZED HERE LAST WEEK WITH A CIRCULATORY PROBLEM.

2. MCCULLOCH POINTED OUT THAT UK AUTHORITIES HAD BEEN QUICK TO NOTE THE SIMILARITY OF THE SAFEGUARDS NOW PROPOSED FOR SERPUKHOV TO THOSE THE US HAD ITSELF INTENDED TO APPLY TO THE LARGE SYSTEMS FOR KAMA AND AEROFLOT. HE RAISED FOUR MAJOR QUESTIONS FOR CLARIFICATION, BUT THERE WAS NO INDICATION THAT ANY OF THESE REPRESENTED MAJOR STICKING POINTS. IN THE ORDER ASKED THESE WERE:

(A) WAS THE REQUIREMENT IN THE US KAMA/AEROFLOT SAFEGUARDS THAT THE VENDOR FIRMS MUST HAVE THE "RIGHT OF FREE ACCESS AT ALL TIMES TO THE COMPUTER FACILITY AND ALL ASSOCIATED EQUIPMENT WHEREVER LOCATED" TO BE CARRIED OVER TO SERPUKHOV SAFEGUARDS (PER PARA 3.(C))/? IF SO, WHY? DR. FINKLER SAID YES, AND THAT IT WAS OUR DESIRE THAT ICL REPS HAVE RIGHT OF ACCESS AROUND THE CLOCK IN CASE THEY WERE REQUIRED BY HMG, PARTICULARLY AFTER RESIDENCY PERIOD HAD ENDED, TO MONITOR THE FACILITY MORE CLOSELY IN TERMS OF PARA B AND D OF THE REVISED ANNEX. BRADNICK INDICATED THAT SERPUKHOV WAS PRESENTLY ON THREE-SHIFT OPERATION (ALTHOUGH THINGS DID SLACK OFF ON SUNDAY AFTERNOONS), HENCE ICL REPS HAD THAT DE FACTO RIGHT AT THE PRESENT.

(B) WHY WAS THE ON-SITE SPARE PARTS INVENTORY TO BE REDUCED FROM SIX TO FOUR MONTHS' SUPPLY? WE POINTED OUT THAT WITH THE RECENT US PROPOSALS FOR HIGHER CAPACITY SYSTEMS AND THE IMPENDING ELIMINATION OF CORE-DUMP ANALYSIS (AND LATER, RESIDENCY) ON SERPUKHOV, WE FELT THAT THE SHORTER PERIOD WAS JUSTIFIED SINCE IT MADE ANY POSSIBLE SANCTIONS MORE TIME-EFFECTIVE. ICL REP NOTED THAT THIS RUN-DOWN COULD HARDLY BE DONE WITHOUT THE CUSTOMER BECOMING AWARE OF IT SINCE, ALTHOUGH SPARES AT SERPUKHOV WERE UNDER ICL CONTROL, THE TITLE TO THEM HAD ALREADY

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PASSED TO USER. ICL WAS RESPONSIBLE IN RECOMMENDING PURCHASE OF REPLACEMENT SPARES TO USER ON BASIS OF ICL'S MTBF EXPERIENCE FOR VARIOUS PARTS.

(C) WAS THE MONTHLY VISITATION REQUIREMENT IN (E) OF THE ANNEX AN OPEN-ENDED ONE, AND IF SO, HOW COULD THIS BE JUSTIFIED? THE UK QUERY WAS NOT MERELY A THEORETICAL ONE, BUT HAD COMMERCIAL IMPLICATIONS AS WELL FOR ICL,

SINCE THE EXPENSES OF VISITATION HAD TO BE COSTED INTO

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PRICE PROJECTION. US REITERATED COMMENTARY ON THIS POINT ALREADY MADE DURING OCTOBER COMPUTER REVIEW: VISITATION REQUIREMENT HAD TO BE OPEN-ENDED TO REMAIN CONSISTENT WITH SAFEGUARDS IMPOSED ON LATER EQUIPMENT EXPORTS - I.E., TO AVOID A SITUATION WHEN A LOWER CAPACITY SYSTEM, BECAUSE IT WAS A MORE RECENT SALE, HAD SAFEGUARDS APPLIED AT A MORE STRINGENT LEVEL THAN AN OLDER, BUT HIGHER-CAPACITY (AND THEREFORE PROBABLY MORE STRATEGICALLY SIGNIFICANT) SYSTEM. ON THE OTHER HAND WE POINTED OUT THAT SHOULD THE LEVEL OF SAFEGUARDS APPLIED TO SIMILAR SYSTEMS IN FUTURE TRANSACTIONS FALL BELOW THAT NOW SUGGESTED FOR SERPUKHOV, WE WOULD EXPECT THAT SERPUKHOV, WOULD ALSO BENEFIT FROM SIMILAR REDUCTION.

(D) IF, ON A HYPOTHETICAL BASIS, THE INSTITUTE WERE TO OBTAIN A STILL HIGHER CAPACITY COMPUTER AND DESIRED TO "RE-SELL" THE PRESENT SYSTEM TO ANOTHER SOVIET USER, WOULD THE US INSIST ON GOING BACK TO "SQUARE ONE" (INCLUDING CORE DUMPING AND A THREE YEAR RESIDENCY) FOR SAFEGUARDS AT THE NEW LOCATION? DR. FINKLER SAID HE COULD NOT ANSWER DEFINITELY SINCE THE SAFE-GUARDS APPROPRIATE WOULD DEPEND UPON ALL THE CIRCUM-

STANCES AT THE TIME. ASKED ABOUT THE DIFFERENCE, IF ANY, BETWEEN THE US VIEW OF SERPUKHOV ON THE ONE HAND AND THE KAMA AND AEROFLOT CASES ON THE OTHER, DR. FINKLER
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POINTED OUT THAT AFTER A FAIRLY SHORT TIME THE LATTER TWO BECAME SUBSTANTIALLY COMMITTED TO A CERTAIN APPLICATION AND THE DIVERSION (PHYSICAL OR ON A USE BASIS) TO OTHER APPLICATIONS WOULD CRIPPLE THE ASSOCIATED ENTERPRISES. HE FELT THAT THERE WAS MUCH LESS "COMMITMENT", IN THIS SENSE, OF THE COMPUTER AT SERPUKHOV. UK TEAM LATER CONFIRMED, IN RESPONSE TO USDEL QUERY, THAT THEY KNEW OF NO INSTITUTE PLANS TO REPLACE PRESENT SYSTEM.

3. IN REVIEWING THE DRAFT REVISED AGREEMENT AND ANNEX POUCHED USDEL, FINKLER NOTED AN APPARENT DISCREPANCY WITH THE ORIGINAL TEXT (I.E., ABSENCE OF THE "NON-PRECEDENTIAL" PARAGRAPH 5), AND AN APPARENT OVERSIGHT IN NOT TAKING OVER POINTS (B)(8) AND (9) OF THE KAMA SAFEGUARDS INTO THE REVISED ANNEX. HE ALSO NOTED THAT THE "TO BE SUPPLIED" PASSAGE IN THE HEADING OF THE TWO DOCUMENTS SEEMED NO LONGER TIMELY. IN CONSULTATION WITH USDEL HE THEREFORE INFORMED UK TEAM THAT WE WOULD BE SUBMITTING RECOMMENDATIONS TO WASHINGTON THAT THESE POINTS BE DEALT WITH IN FINAL VERSION. FOR PARA 5 OF REVISED AGREEMENT FINKLER SUGGESTS FOLLOWING: "THE UNITED KINGDOM AND THE UNITED STATES AUTHORITIES REGARD THIS REVISED AGREEMENT AS AN EXCEPTIONAL ONE AND THE PROCEDURES HEREIN AGREED SHALL NOT BE TAKEN BY EITHER COUNTRY AS ESTABLISHING A PRECEDENT FOR THE FUTURE". HE SUGGESTS THAT IN THE ANNEX NEW POINTS (8) AND (9) BE INSERTED IN PART A, THAT THE BALANCE BE RENUMBERED, AND THAT IN PART B, SECOND LINE, THE REFERENCE BE TO A(14). HIS SUGGESTIONS FOR THE NEW POINTS ARE: "(8) COMPUTER ON-TIME DEVOTED TO NORMAL USE WITH ICL PERSONNEL INVOLVEMENT. (9) OTHER TIME DEVOTED TO NORMAL USE." SUGGESTED WORDING HAS BEEN PROVIDED TO UK TEAM, WHICH REQUESTED RECEIVING DEFINITIVE CORRECTIONS, IF ANY, AS SOON AS POSSIBLE. ICL REP NOTED THAT THIS SORT OF INFORMATION IS ALREADY BEING GATHERED AS BACKUP FOR THE CORE-DUMP TAPES BEING PROVIDED.

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4. MCCOLLOCH NOTED THAT WHILE KAMA AND AEROFLOT SYSTEMS USED EDS-100 EQUIVALENT (3330) DISC MEMORIES, SERPUKHOV HAD EDS-60 (DUAL DENSITY 2314 EQUIVALENT) MEMORIES. WOULD THE US BE AMENABLE TO AN UPGRADING OF SERPUKHOV IN THIS RESPECT? FINKLER POINTED OUT THAT THE 3330S WERE CONSIDERED TO BE THE MINIMUM FEASIBLE FOR THE APPLICATIONS AT KAMA AND AEROFLOT, AND IT WAS FOR THIS REASON THAT THE US HAD DECIDED TO PRESENT THEM WITH THEIR EXCEPTIONS REQUESTS. AS TO A POSSIBLE SERPUKHOV UPGRADE, HE COULD GIVE NO COMMITMENT SINCE OUR DECISION WOULD HAVE TO DEPEND ON CONCRETE DETAILS.

5. UK TEAM EXPRESSED APPRECIATION FOR OPPORTUNITY TO DISCUSS ISSUE BUT WAS APPARENTLY NOT EMPOWERED EITHER TO ACCEPT US DRAFT AS SUCH NOR OFFER COUNTER-PROPOSALS. WE EXPECT NEXT STEP WILL BE VIA UK EMBASSY WASHINGTON OR FCO TO EMBASSY LONDON, BUT THEY MAY WELL WAIT UNTIL STATUS OF CORRECTIONS SUGGESTED ABOVE IS COMMUNICATED TO UK.

6. SEPTELS (NOTAL) DEAL WITH UK QUESTIONS ON KAMA AND AEROFLOT CASES.

7. ACTION REQUESTED: DECISION ON CHANGES SUGGESTED PARA 3 ABOVE, AND CONFIRMATION TO UK AUTHORITIES OF ANY NEW
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TEXT.

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